

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED
DEC 23 1981

ATARI, INC.,
a Delaware corporation, and
MIDWAY MFG., CO.,
an Illinois corporation,
Plaintiffs,
vs.

NORTH AMERICAN PHILIPS
CONSUMER ELECTRONICS CORP.,
a Tennessee corporation, and
PARK TELEVISION d/b/a
PARK MAGNAVOX HOME ENTERTAINMENT
CENTER,
an Illinois partnership,
Defendants.

Judge George N. Leighton
U. S. District Court

Civil Action No. 81 C 6434

The Honorable
George N. Leighton

DEFENDANTS' ANSWER TO THE
VERIFIED COMPLAINT, AND COUNTERCLAIM

Defendants, for their answer to the Verified
Complaint herein, allege the following, each paragraph of
the Complaint being set forth preceding the answer thereto.

1. Complaint. Plaintiff, ATARI, INC. ("ATARI"), is a Delaware corporation with its principal place of business in Sunnyvale, California. ATARI is a leading developer and manufacturer of home video games and personal computers. ATARI owns the exclusive rights under copyrights to numerous audiovisual works, including the exclusive rights in the United States for home video and personal computer use for the "PAC-MAN" video game described below. Plaintiff MIDWAY MFG. CO. ("MIDWAY") is an Illinois corporation with its principal place of business at Franklin Park, Illinois. MIDWAY is a leading developer and manufacturer of coin-operated video games. MIDWAY owns exclusive rights under copyrights to numerous audiovisual works and is the owner of the United States copyright to the "Pac-Man" audiovisual work described below.

Answer. Defendants admit that ATARI is a Delaware corporation with its principal place of business in Sunnyvale, California, that ATARI is a developer and manufacturer of personal computers and video games including home video games, that plaintiff MIDWAY is an Illinois corporation with its principal place of business at Franklin Park, Illinois, and that MIDWAY is a developer and manufacturer of coin-operated video games, but defendants are without knowledge of the remaining allegations of paragraph 1 of the Complaint and, therefore, deny the same.

2. Complaint. On information and belief, defendant NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP. ("NORTH AMERICAN") is a Tennessee corporation, with its principal place of business in Knoxville, Tennessee. NORTH AMERICAN has an office and place of business in this district at 7500 Frontage Road, Skokie, Illinois 60077. NORTH AMERICAN manufactures and sells home video games, including the "K.C. MUNCHKIN" home video game described below.

Answer. Defendants admit that a corporation related to NORTH AMERICAN manufactures and sells home video games and home video game cartridges including the Odyssey² home video game console and the "K.C. MUNCHKIN" home video game cartridge for use with that console, but otherwise deny the allegations of Paragraph 2 of the Complaint.

3. Complaint. On information and belief, defendant PARK MAGNAVOX HOME ENTERTAINMENT CENTER ("PARK") is an Illinois corporation with its principal office and place of business at 3634 West 95th Street, Evergreen Park, Illinois 60642. Park is a retailer of audio visual equipment including home video games such as NORTH AMERICAN'S "K.C. MUNCHKIN" video game.

Answer. Defendants deny that PARK TELEVISION d/b/a PARK MAGNAVOX HOME ENTERTAINMENT CENTER is an Illinois corporation, affirmatively allege that it is a partnership, admit that PARK is a retailer of audio visual equipment including home video game consoles and home video game cartridges such as the Odyssey² home video game console and the "K.C. MUNCHKIN" home video game cartridge, that PARK's principal office and place of business is at 3634 West 95th Street, Evergreen Park, Illinois 60642, but otherwise deny the allegations of Paragraph 3 of the Complaint.

4. Complaint. The claims made in this Verified Complaint arise under the Copyright Laws of the United States, 17 U.S.C. §§101 et seq., the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. Ch. 121-1/2, §§311-317, and the common law. This Court has federal question jurisdiction pursuant to 28 U.S.C. §1331(a)(2) and 1338(a) and has pendant jurisdiction over the state law claims under 28 U.S.C. §1338(b). Venue is proper under 28 U.S.C. §§1391(d) and 1400(a). Acts giving rise to the causes of action alleged herein have occurred, and are occurring, in the this district.

Answer. Defendants deny that they have committed, or are committing, any acts giving rise to the causes of action alleged in the Complaint, either in this district or elsewhere, and neither admit nor deny the remaining allegations of Paragraph 4 of the Complaint, which allegations refer to the applicable statutory and common law bases of the Complaint, jurisdiction of this Court, and venue, as defendants are not required to either admit or deny such allegations.

5. Complaint. Before May 22, 1980, Namco Limited, a Japanese company created an original audiovisual work titled "PAC-MAN." "PAC-MAN" is a wholly original work of authorship with Namco Limited and comprises copyrightable subject matter under the copyright laws of the United States, Title 17, United States Code.

Answer. Defendants are without knowledge of the allegations of Paragraph 5 of the Complaint and, therefore, deny the same.

6. Complaint. Namco Limited assigned "the entire right, title, and interest" in statutory copyright in the United States and the Western Hemisphere to MIDWAY by an "Assignment of Copyrights," dated October 10, 1980 and recorded in the Copyright Office.

Answer. Defendants are without knowledge of the allegations in Paragraph 6 of the Complaint and, therefore, deny the same, except that they admit that a document titled "Assignment of Copyrights" which purports to be signed by Namco Limited and dated October 10, 1980, was recorded in the Copyright Office.

7. Complaint. MIDWAY fully complied with the copyright laws and all other laws applicable to the "PAC-MAN" work. The Register of Copyrights has issued to MIDWAY a certificate of copyright registration for the "Pac-Man Audiovisual Work," Reg. No. PA 83-768, effective November 13, 1980. A copy of Certificate of Registration No. PA 83-768 is attached to this Verified Complaint as Exhibit A.

Answer. Defendants admit that the Register of Copyrights has issued Certificate of Registration No. PA 83-768, but defendants are without knowledge of any other facts concerning the document which purports to be a copy of the Certificate of Registration attached to the Verified Complaint as Exhibit A, and defendants are without knowledge of any of the remaining allegations of Paragraph 7 of the Complaint and, therefore, deny the same.

8. Complaint. By agreement effective as of April 27, 1981, MIDWAY granted Namco-America, Inc. an exclusive license under the "PAC-MAN" copyright and trademark for home video and personal computer use. By agreement also effective as of April 27, 1981 Namco-America, Inc. granted to ATARI the exclusive right in the United States and its territories in the copyright and trademark for the "PAC-MAN" audiovisual work for home video games and personal computers including exclusive rights under Certificate of Registration No. 83-768. An agreement transferring to ATARI the exclusive rights under copyright in the "PAC-MAN" audiovisual work was filed with the Copyright Office for recordation on November 12, 1981. A copy of the agreement recording the transfer rights to Atari in the Copyright Office is attached to this Verified Complaint as Exhibit B.

Answer. Defendants admit that a copy of a document purporting to record the transfer of certain rights of Namco-America, Inc. to plaintiff ATARI dated April 27, 1981,

is attached to the Complaint as Exhibit B, but defendants are without knowledge of the remaining allegations of Paragraph 8 of the Complaint and, therefore, deny the same.

9. Complaint. ATARI holds the exclusive right under all copyrights to the "PAC-MAN" audiovisual work for home video games and personal computers in the United States and its territories. The Exhibit B Agreement also granted to ATARI exclusive license rights to the trademark "PAC-MAN" for use on or in connection with home video games and personal computers in the United States. ATARI has announced the introduction and will introduce the ATARI "PAC-MAN" home video game throughout the United States during 1982.

Answer. Defendants admit that ATARI has stated in advertisements that ATARI will introduce during 1982 a "PAC-MAN" home video game cartridge for use with its Video Computer System home video game console, and admit that Exhibit B attached to the Complaint purports to grant ATARI "an exclusive sublicense in the United States of America and its territories and possessions, for home video games and personal computers" under Copyright Registration No. PA 83-768 and under the trademark "PAC-MAN," but defendants are without knowledge of the remaining allegations of Paragraph 9 of the Complaint and, therefore, deny the same.

10. Complaint. NORTH AMERICAN has infringed the copyright in the "PAC-MAN" audio visual work by reproducing, selling and otherwise distributing unauthorized copies of or a derivative work of the "PAC-MAN" audiovisual work under the name "K.C. MUNCHKIN" and, on information and belief, by performing and displaying NORTH AMERICAN's infringing "K.C. MUNCHKIN" home video game.

Answer. Defendants deny the allegations of Paragraph 10 of the Complaint.

11. Complaint. NORTH AMERICAN is currently advertising, distributing, and selling its infringing "K.C. MUNCHKIN" home video game on a nationwide basis. A full page color advertisement for the "K.C. MUNCHKIN" home video game appeared in the November 16, 1981 issue of Newsweek magazine. A copy of the advertisement is attached to this Verified Complaint as Exhibit C. On information and belief, NORTH AMERICAN has made arrangements for additional national advertising for its infringing "K.C. MUNCHKIN" home video game in Time, People and various inflight airline magazines.

Answer. Defendants admit that a corporation related to NORTH AMERICAN is currently advertising, distributing, and selling a "K.C. MUNCHKIN" home video game cartridge on a nationwide basis, that a color advertisement referring to the "K.C. MUNCHKIN" home video game cartridge appeared in the November 16, 1981 issue of Newsweek magazine, that a copy of a portion of that advertisement is attached to the Complaint as Exhibit C, and that arrangements for additional national advertising referring to the "K.C. MUNCHKIN" home video game cartridge have been made, but otherwise deny the allegations of Paragraph 11 of the Complaint.

12. Complaint. NORTH AMERICAN's advertising, marketing, and distributing for retail sale its infringing "K.C. MUNCHKIN" home video game have provided and are currently providing NORTH AMERICAN's distributors and retail dealers with the instrumentality and opportunity to engage in deceptive and unfair trade practices and, on information

and belief, NORTH AMERICAN has caused such deceptive and unfair trade practices to occur. These deceptive and unfair trade practices include passing off the "K.C. MUNCHKIN" home video game as a "PAC-MAN" game; causing a likelihood of confusion or of misunderstanding as to the source, sponsorship, approval or certification of "K.C. MUNCHKIN" home video game; causing likelihood of confusion or of misunderstanding as to affiliation, connection or association with or certification by plaintiffs; and otherwise engaging in conduct which creates a likelihood of confusion or of misunderstanding. In addition, NORTH AMERICAN's distribution for retail sale of its infringing "K.C. MUNCHKIN" home video game has provided and is currently providing NORTH AMERICAN's distributors and retail dealers with the instrumentality and opportunity to infringe the "PAC-MAN" copyright and the "PAC-MAN" trademark.

Answer. Defendants deny the allegations of Paragraph 12 of the Complaint.

13. Complaint. NORTH AMERICAN's distributors have and are currently holding out the "K.C. MUNCHKIN" home video game as a "PAC-MAN" Game as shown on the advertisement from the November 13, 1981 issue of the Chicago Sun-Times, a copy of which is attached to this Verified Complaint as Exhibit D. On information and belief, NORTH AMERICAN and its distributors have otherwise passed the "K.C. MUNCHKIN" home video game off as the "PAC-MAN" home video game, have otherwise unfairly competed with ATARI, and have confused and deceived consumers.

Answer. Defendants deny the allegations of Paragraph 13 of the Complaint.

14. Complaint. NORTH AMERICAN's infringement of the "PAC-MAN" copyright and its unfair and deceptive trade practices in relation thereto have been willful and deliberate and will continue to plaintiffs' irreparable harm unless enjoined by this Court.

Answer. Defendants deny the allegations of Paragraph 14 of the Complaint.

15. Complaint. Defendant PARK has infringed the copyright in the "PAC-MAN" audiovisual work by selling and otherwise distributing the "K.C. MUNCHKIN" home video game and, on information and belief, by performing and displaying the "K.C. MUNCHKIN" home video game.

Answer. Defendants admit that the defendant PARK has performed and displayed the "K.C. MUNCHKIN" home video game cartridge in conjunction with the Odyssey² home video game console and has sold the "K.C. MUNCHKIN" home video game cartridge, but defendants deny that any of said acts have infringed the copyright and otherwise deny the allegations of paragraph 15 of the Complaint.

16. Complaint. ATARI has notified NORTH AMERICAN of its infringement of ATARI's exclusive right in the "PAC-MAN" copyright and of its other violations herein alleged and of the filing of this action.

Answer. Defendants deny that any notice of infringement, or of any other violations alleged in the Complaint, was given to NORTH AMERICAN by ATARI prior to the filing of the Complaint herein and otherwise deny the allegations of paragraph 16 of the Complaint.

COUNT ONE

17. Complaint. Paragraphs 1 through 16 are incorporated by reference.

Answer. Paragraphs 1 through 16 of the Answer are incorporated by reference.

18. Complaint. The aforesaid acts of NORTH AMERICAN and PARK constitute copyright infringement in violation of 17 U.S.C. §§106 and 501.

Answer. Defendants deny the allegations of Paragraph 18 of the Complaint.

COUNT TWO

19. Complaint. Paragraphs 1 through 16 are incorporated by reference.

Answer. Paragraphs 1 through 16 of the Answer are incorporated by reference.

20. Complaint. The aforesaid acts of NORTH AMERICAN and PARK constitute deceptive trade practices in violation of the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. Ch. 121-1/2, §§311-317.

Answer. Defendants deny the allegations of Paragraph 20 of the Complaint.

COUNT THREE

21. Complaint. Paragraphs 1 through 16 are incorporated by reference.

Answer. Paragraphs 1 through 16 of the Answer are incorporated by reference.

22. Complaint. The aforesaid acts of NORTH AMERICAN and PARK constitute improper and unfair competition with plaintiffs in violation of plaintiffs' rights at common law.

Answer. Defendants deny the allegations of Paragraph 22 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

23. Neither of the defendants have infringed the copyright which purports to be registered by Certificate of Registration No. PA 83-768.

SECOND AFFIRMATIVE DEFENSE

24. Neither of the defendants have committed any acts in connection with the manufacture, advertising or sale of the "K.C. MUNCHKIN" home video game cartridge which are proscribed by the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. ch. 121-1/2, §§311-317.

THIRD AFFIRMATIVE DEFENSE

25. Defendants have not committed any acts in connection with the manufacture, advertising or sale of the "K.C. MUNCHKIN" home video game cartridge which constitute

improper and unfair competition with plaintiffs in violation of any of plaintiffs' rights at common law.

COUNTERCLAIM

1. By way of counterclaim under Title 17, United States Code §§101 et seq., Title 28, United States Code §§1338(a) and 1338(b), Ill. Rev. Stat. Ch. 121-1/2, and Title 28, United States Code §§2201 et seq., defendants allege that this Court has jurisdiction over the subject matter of and the parties to this counterclaim, and that there is an actual controversy as appears from the Verified Complaint in this action and from the foregoing Answer between the plaintiffs and the defendants with respect to (a) the validity and enforceability of plaintiffs' alleged copyright (b) the alleged infringement by defendants of said copyright, (c) the alleged acts of deceptive trade practices, and (d) the alleged acts of common law unfair competition.

2. The alleged copyright is invalid and unenforceable as asserted against the defendants.

3. Neither of the defendants has infringed plaintiffs' alleged copyright.

4. Neither of the defendants has committed any act constituting a deceptive trade practice.

5. Neither of the defendants has committed any act of common law unfair competition.

6. Defendants have been damaged by plaintiffs' assertion of their alleged copyright in this action, by their assertion that defendants have committed acts alleged to constitute deceptive trade practices, and by their assertion that defendants have committed acts of common law unfair competition, and such assertions have been willful and wrongful and without any just cause either in fact or in law.

WHEREFORE, defendants demand judgment:

1. That plaintiffs' copyright Registration No. PA 83-768 is invalid, unenforceable and not infringed by any act of the defendants;

2. That neither of the defendants has committed any act constituting a deceptive trade practice in violation of the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. Ch. 121-1/2, §§311-317;

3. That neither of the defendants has committed any act of common law unfair competition;

4. That plaintiffs are not entitled to any relief prayed for in the Verified Complaint;

5. That plaintiffs' Verified Complaint against the defendants herein be dismissed with costs and disbursements including reasonable attorney fees to be paid by the plaintiffs to the defendants;

6. That the amount of damages sustained by defendants due to plaintiffs' willful and wrongful assertion of their alleged copyright and claims of deceptive trade practices and common law unfair competition be trebled, and that plaintiffs be ordered to pay to defendants the amount of such trebled damages;

7. That plaintiffs and each of their officers, directors, agents, employees, attorneys and all those in privity and concert with them be enjoined and restrained from continuing, maintaining or renewing the allegations of copyright infringement, deceptive trade practices and common law unfair competition asserted in the Verified Complaint, in any manner, direct or indirect; and

8. That defendants be awarded such other and further relief as the Court considers to be just.

By Theodore W. Anderson
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CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing DEFENDANTS' ANSWER TO THE VERIFIED COMPLAINT, AND COUNTERCLAIM was served upon the attorneys for the plaintiffs by mailing copies first class postage prepaid to them at the following addresses:

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all this 28th day of December, 1981

